



ANALYSIS OF THE REPORTS OF THE AUDITOR GENERAL ON THE ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2015 AND REVIEW OF OPERATIONS OF LOCAL AUTHORITIES FOR 2015



2017

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1.0 Introduction

The Jesuit Centre for Theological Reflection (JCTR) is a research, education, advocacy and consultancy organization that has been promoting study and action linking Christian faith and social justice in Zambia since its establishment in 1988. The JCTR realizes its vision through its two main programmes: Faith and Justice and Social and Economic Development Programmes. As part of JCTR's general advocacy strategy and engagement, JCTR is involved in monitoring service delivery in targeted communities and public resource utilization. To this effect, some of the activities that JCTR undertakes include: monitoring of national debt levels, annual analysis of the National Budget, Annual Analysis of the Auditor General's Report, presentation of Budget submissions to the Committee on Parliament, tax and non-tax proposals to the Ministry of Finance and other ministries.

Following the release of the Auditor General's report for the financial year ending 31st December 2015 and the report reviewing the operations of local authorities for the same period, the JCTR makes an analysis of the reports. The Auditor-General in Zambia has a constitutional mandate to audit all public resources in the republic to strengthen accountability and transparency with the aim of building public confidence.

2.0 Select Cases of Concern in the Report

The JCTR has over the years advocated improvement in Zambian citizens' access to essentials of life. They include access to education, health, water and sanitation. Select cases of concern have therefore been identified related to weaknesses in revenue collection, irregularities in procurement, undelivered materials, irregular payments, unsupported payments, misapplication, misuse and overspending of funds. The implications of such abuses are also highlighted on citizens accessing essentials of life.

REVENUE SIDE

National Level Issues

The Report on the Audit of the Accounts for the Financial Year 2015 shows an amount of K200, 205,123 in mineral royalty tax having not been paid as of September 2016 for the period, January to November 2015. This is against the Mines and Mineral Act which requires that mining firms submit mineral royalty returns monthly as stipulated.

The Report also shows a failure to meet revenue targets through tax collection. Of a projected/planned tax collection of K9, 829,521,038 in 2015 through taxes such as Withholding Tax and Customs duty, K7, 771,731,505 was collected. This resulted in a revenue under collection of K2, 057,789,533. This robbed the nation of much needed financial resources for national development. For example, funds required to build secondary schools and clinics and hospitals.

District Level Issues

In Ndola funds amounting to K7, 338 collected in court fines and fees could not be accounted for.

EXPENDITURE SIDE

2.1. Undelivered materials

National Level Issues

The Report on the Audit of the Accounts for the Financial Year 2015 shows undelivered material in the amount of K251, 523,804 in 2015. This is an increase of K251, 000,900 just in one year from an amount of K 522, 904 in 2014. In 2013, the figure stood at K19, 959,462. The specific cases of undelivered material include the following:

District Level Issues

In Solwezi, in March and April 2015, K264, 504 was paid to Lucchero Enterprises for building materials for Mwanjimambwe, Solwezi Urban, Mukumbi and Kabisapi Combined Schools. Twelve months after the payment, only materials worth K124, 328 had been delivered. Materials worth K140, 176 remained undelivered by July 2016 and no action had been taken against the supplier.

In Western Province under the Poverty Reduction Programme in the Office of the President (PRP), an amount of K62, 985 was paid for various building materials to Nsombros Commercial Suppliers on 15th October 2015. As of July 2016 (9 months after making payment), 50 bags of cement paid for at K4, 500 remained undelivered.

2.2. Irregular payments

National Level Issues

Irregular payments made in 2015 are captured at K115, 350,860. Irregular payments refer to payments made outside the normal practice or acceptable regulations or norms. The 2015 figure reflects an increase of K88, 992, 372 to the amount in 2014 (K26, 358,488). In 2013, irregular payments stood at 14,467,146.

Table 1: Summary trend of undelivered materials and Irregular payments cases over 2013 to 2015 in broader amounts

Nature of case	2015 K	% Increase/ Decrease	2014 K	% Increase/ Decrease	2013 K
Undelivered Materials	251,523,804	48001	522,904	-97.4	19,959,462
Irregular Payments	115,350,860	337.6	26,358,488	82.2	14,467,146

Source: Report of the Auditor General on the Accounts of the Republic for the Financial Year ended 31st December 2015

District Level Issues

In Livingstone at the District Community Medical Office (DCMO), K384, 048, was paid to 11 Officers as Health Personnel Shift Differential contrary to Public Service Management Division Circular No. B10 of 2013. Circular No. B10 of 2013 states that an allowance at the rate of 15% of monthly basic salary shall be paid through the payroll to nurses, midwives and paramedical personnel. However, the 11 Officers in Livingstone who received the K384, 048 were non in this category of employees.

In Solwezi, at the DCMO, two (2) employees were paid K123, 592 as salaries while on study leave without approval from the Public Service Commission. The Terms and Conditions of Service for the Public Service No. 121 (a) and 136 (a) states that paid leave may be granted by the Permanent Secretary, Public Service Commission to an Established Officer. However, there was no documentation at the Public Service Commission to support the duo's study leaves approval.

In Kabwe at the DCMO, five (5) officers were introduced on the payroll during the period under review without appointment letters from the Public Service and. This was against the Public Service Commission's requirement that in order for one to be considered an officer must have an appointment letter from the Public Service Commission. An amount of K184, 224 was paid out. Further, an amount of K554, 348 was paid to 19 officers who had retired but re-introduced on payroll at the DCMO in salaries during the period under review. Appointment letters or contracts of re-engagements from the Public Service Commission were non-existence.

In Mongu at the DCMO 1 officer was introduced on payroll without appointment letter. An amount of K25, 093 was paid out.

Irregularities are also identified in payments of allowances and out of employment employees. In Solwezi at the DCMO K29, 683 was paid to four (4) employees as housing allowances against Public Service Management Division (PSMD) circular No. B2 of 2010 (2) (b). Circular No. B2 of 2010 (2) (b) for PSMD states that only employees not accommodated by government would receive housing allowance. Unfortunately, the employees who received the payment in Solwezi were accommodated. In Mongu K25, 747 was irregularly paid as allowances to four (4) employees at the DMO and in Choma K80, 186 was irregularly paid to 13 employees at the DCMO. In Kitwe, K 112,789 was paid to fifteen (15) officers at the DCMO. Under the Ministry of Education, the following payments were irregularly paid as housing allowances: Kabwe, K 83,376 to 7 officers under the PEO, K 33,600 to 4 officers under DEBS, K24, 167 to 30 officers under Kitwe DEBS, K 835,609 to 97 officers under Monze DEBS and K44, 800 to 8 officers under Livingstone DEBS.

Other allowances irregularly paid included those made against the Terms and Conditions of Service No. 167 (i). The Terms and Conditions of Service No. 167 (i) states that commuted night duty allowance shall be paid to nursing and



paramedical personnel who work during the night, over and above normal working hours. However, in Solwezi, K128, 166 was paid to 28 officers at the DCMO who were neither nurses nor paramedical staff. In Mongu K60, 469 was paid to 31 officers (at the DCMO) and in Choma K18, 608 was paid to 7 officers at the DCMO.

In Rural and Remote Hardship allowances, a total of K156, 270 (K120, 486 as rural and K35, 784 as remote) was paid to 23 officers at the DCMO in Solwezi against the Terms and Conditions of Service No. 166. The Terms and Conditions of Service No. 166 requires that only officers in rural and remote areas receive such an allowance. In Mongu at the DCMO office, K51, 521 (K14, 976 as rural and K36, 545 as remote) was paid to 5 officers.

In salaries, K212, 463 was paid to an officer who had long separated from the Public Service at the Mongu DCMO. And in Monze, at the Monze DCMO, K95, 701 was irregularly paid to an Officer who had long separated from the Public Service.

2.3. Irregularities in procurement

National Level Issues

In the Ministry of Health, controlling officers did not comply with medical health standards as they purchased drugs that were expired and had a short shelf life for use in hospitals in Zambia. Thirty-nine (39) boxes of Miniclean delivered on 8th April 2015, costing K32, 663 (US\$2,613) and other various drugs worth K13, 750,821 had expired.

By December 2015, the Ministry of Health controlling officers paid contractors in full for various equipment and items to be supplied had not been delivered worth K23, 122,641 by August 2016. These are for the Supply, delivery, installation and commissioning of CT machines, various medical equipment to 133 health posts and 4 health centers, installation and commissioning of medical equipment, hospital furniture and other related medical equipment, mental health equipment, 60 units of metal ear syringes, 240 units of baby weighing scales, 120 digital thermometers and 60 mechanical timers to 60 health posts.

District Level Issues

In Kabwe at the DCMO K 13,457 was drawn for fuel for vehicles that were not for the department.

2.4. Unsupported Payments

In Kitwe 19 transactions were made amounting to K110, 400 against Financial Regulation Nos. 45, and 52(1) which requires that transactions must be supported by relevant documents such as cash sale receipts, local purchase orders (LPOs), memos and minutes of authority to pay. However, the payment vouchers were not supported by such documentation. At the Provincial Medical Office (PMO) (Copperbelt) 7 transactions worth K45,550 had no supporting documentation.

2.5. Management of CDF

District Level Issues

The Constituency Development Fund (CDF) is grant from the Central Government to Councils to enhance development in the local communities and constituencies. There are however weaknesses observed in its management. From the audit conducted on 2015, cases of its mismanagement include but not limited to the following. 17 unapproved projects in Solwezi District (2 for Solwezi West and 15 for Solwezi East) of North Western Province were funded. This is Contrary to CDF Guideline No. 7, which states that only projects which have been appraised and approved by the Council shall be funded. In Solwezi, Luanshya and Mongu, funds in the amount of K100, 661, K2, 240,309 and K1, 205,682 received as equalization and capital project funds were spent on unrelated activities including payment of salaries, wages for casual workers, settling in allowances and councilor's allowances, etc. Weaknesses were also observed in the failure by respective constituencies to spend most released funds. In Kitwe, K1,755,497 for Chimwemwe, K1,332,508 for Kamfinsa, K749,402 for Nkana, K770,858, and K240,054 for Kwacha remained unspent as at 31st December, 2015. In Luanshya, K151, 921 remained unspent.

3.0. Weaknesses or grounds that allowed for funds misuse, waste expenditure, etc.

- I. There were no actions taken on cases of undelivered materials
- II. Lack of adherence to regulations and policies, for example the 11 officers who received Health Personnel Shift Deferral at Livingstone DCMO were not part of eligible officers
- III. Lack of adherence to procurement procedure.
- IV. Lack of accountability on the part of responsible officers for instance where drugs with a short shelf life span were procured. At the time of procurement, the health facilities already had sufficient commodities which had a longer shelf life of up to September 2015. However, the drugs purchased and delivered on 8th April 2015 had an expiry date of July 2015. The boxes of Miniclean delivered on 8th April 2015 had expired.

4.0. Implications of the irregularities and abuses

- I. **Materials are paid for and not delivered:** access to essential services such as quality education is compromised and becomes a night mare for citizens. Most rural areas in Zambia do not have sufficient infrastructure and facilities readily available in essential areas such as education. For example, according to ((Daily Mail 2016, UNESCO 2012), in most rural areas of Zambia children walk long distances to day schools and as a result parents discourage their children from attending school for their safety. This pose a challenge to address the high poverty (54.4% national and 76.6% rural) in the country. There is therefore need to promote accountability among duty bearers and curb mismanagement such as the one in Solwezi. In Solwezi, in March and April 2015, K264, 504 was paid to Lucchero Enterprises for building materials for Mwanjimambwe, Solwezi Urban, Mukumbi and Kabisapi Combined Schools. Twelve months after the payment, only materials worth K124, 328 had been delivered. Materials worth K140, 176 remained undelivered by July 2016.
- II. **Irregular payments:** have adverse effects on the expenditure levels of the public service as budgeted expenses are not fully met. This again compromises and limits citizens' access to essential services such as quality health care. In a situation for example where K384, 048, is paid to 11 ineligible Officers in Livingstone as Health Personnel Shift Deferential, the government would for example loss funds probably meant for purchase of drugs or construction of a maternity wing at a Health Post.
- III. **Irregularities in procurement:** The Ministry of Health witnessed irregularities in procurement of drugs and purchase of equipment. Drugs with short shelf life and expired ones were purchased. One year after purchase of various equipment, it had not been delivered. This hiccup among other situations, would lead to lack of and inadequate drugs in hospitals, clinics and health posts. Inadequacy in availability of equipment such as those for laboratory especially in rural areas has posed challenges to access needed health services by ordinary citizens. Insufficient drugs and lack of necessary health equipment poses a challenge to medical practitioners to save lives especially in rural Zambia.
- IV. **Management of CDF:** The government of the republic of Zambia through the CDF aimed to make available needed social services in communities and help improve citizens' lives. However with weaknesses observed in management of the fund such as the diversion of the equalization and capital project funds in Solwezi, Luanshya and Mongu (in the amounts of K100, 661, K2, 240,309 and K1, 205,682 respectively) to unrelated activities including payment of salaries, wages for casual workers, settling in allowances and councilor's allowances, etc., citizens have in most cases been denied essential facilities such as health centers, schools and roads infrastructure which they would want to see put up especially in rural communities.



5.0 Comparison of funds lost and what these funds could have done

5.1. What K 251, 523,804 mismanaged (materials were paid for but not delivered) could do

Table 2: National Pupil Progression to Grade 10 over 2010 – 2015 from Grade 9

Pupil Progression to Grade 10	2010	2011	2012	2013	2014	2015
National (%)	46.80	44.91	34.65	37.10	41.79	48.89
Boys (%)	48.92	46.73	34.04	36.72	-	50.02
Girls (%)	44.41	42.89	35.33	37.51	-	46.35

Source: ECZ, 2015

Table 3: National Performance at Grade 9 in 2015

Number of pupils sitting for examination	Pupil Status	Boys	Girls	Total
278, 184	Selected for Grade 10	70, 699 (50.02%)	63,424 (46.35%)	134, 123 (48.21%)
	Statements	63,514 (44.94%)	65, 973 (48.21%)	129,487 (46.55%)
	Fail	7,123 (5.04%)	7,451 (5.44%)	14,574 (5.24)

Source: MoE, 2016

Closer to half the number of pupils who sit for the Grade 9 examinations in Zambia progress to Grade 10 partly due to limited classroom space at the grade 10 level (ZANEC 2010, MoE, 2012, 2016)



5.2. What K100, 661, K2, 240,309 and K1, 205,682 respectively in Solwezi, Luanshya and Mongu mismanaged meant for equalization and capital projects (spent on unrelated activities including payment of salaries, wages for casual workers, settling in allowances and councilor's allowances, etc.,) could do.



Water from one of the boreholes in Kalumbila in North-Western Province

6.0. Conclusion

JCTR has observed with dismay how the 2015 reports show an increase in a wastage of resources, and increase in expenditure losses. There is therefore need for action to be taken to arrest the situation now and in the future.

7.0. Recommendations

- On cases of undelivered materials – Controlling officers need to be proactive by following up and ensuring terms of agreement are fulfilled
- There is need to explore the possibility of mentioning those responsible for the abuse to expose them. Non-mentioning of names of erring officers has led to continued abuses
- There is need to review powers of controlling officers and see how these can be strengthened for Controlling officers to control and discipline erring officers in good time
- There is also urgent need for the revision of the Public Finance Act to strengthen punitive measures so as to ensure adherence to laid down financial regulations
- There is need for the Secretary to the Treasury being the Chief Controlling Officer to see how financial management systems can be strengthened in Ministries to help curb the abuses
- There is also need to ensure Controlling Officers are appointed on Merit
- Publicity of Treasury minutes on the Parliament or Auditor General's websites which provide details of commitments and works of different Permanent Secretaries to address Auditor General's and Public Accounts Committee's comments
- Civil Society Organisations should engage the Auditor General, Parliamentary Committees on Local Government Accounts and Public Accounts and Select Ministries (Permanent Secretary (PS) - Education, PS - Local Government, PS – Health)
- Government needs to implement all recommendations in the audit report without fail
- State institutions including the anti-corruption commission should prosecute all erring officers responsible for abusing public resources

References:

Report of the Auditor General on the Accounts for the Republic on the Financial Report for the Year ended 31st December 2015

Report of the Auditor General on the Review of Operations of Local Authorities for the Financial Year ended 31st December 2015



ANNEX

Recommendations from Public Forums that discussed analytical report on findings of the 2015 Auditor General Report

Ndola

- Audit reports currently come out late. We propose law reform to ensure that Auditor General reports are produced yearly.
- The Government must adequately staff the office of the Auditor General
- The Government must align the office of the Auditor General with Law Enforcement Agencies (Must let the office of the Auditor General work closely with Law Enforcement Agencies)

Mongu

- There is need to speed up production and release of the audit report. Participants observed that due to delays in the release of Auditor General's reports and acting on reported cases, some culprits would either have been retired, resigned or transferred making it difficult to punish them.
- As local citizens at the receiving end of poor service delivery and incomplete projects due to abuse of public funds we should present our dissatisfaction and growing concerns to local authorities such as the Permanent Secretary's office, District Commissioner's office, the Town Clerk, the Mayor, local National Assemblies of Zambia office, as a way of demanding for answers and sending a message that the public was watching.
- Zambia Chamber of Commerce Mongu Chapter committed to working very hard to ensure that its paid up members (business houses) complied with and strictly adhered to laid down procurement procedures to avoid being caught up in public scandals and to maintain the organizational integrity
- There is need to expose erring officers

Livingstone

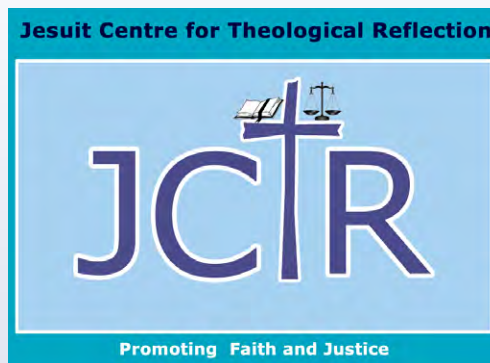
- Agencies such as office of the Director of Public Prosecutions (DPP), Anti-Corruption Commission (ACC), Drug Enforcement Commission (DEC) should sit in the Public Accounts Committee (PAC) sittings to pick up cases of corruption by ensuring that the culprits are brought to book.
- All the officers who are found wanting in the Auditor General's report must be prosecuted and fired.
- There is need to petition the MP on the irregularities reported in the Auditor General's report so that the issue can be raised in Parliament and subjected to the accounts audit committee.
- The media should be involved on the findings in the Auditor General report.

Monze

- Auditor General's office ought to have a prosecutions department, mere revelations were not enough
- The ministries found with faults must update the public on the findings and announce the action taken against the concerned officers.
- There was a need to make a follow up on wrong payments to officers especially those who are still in service for the departments concerned to institute recovery measures.
- The colossal advance payments on goods and services ought to be revised as can be noted from the flaws as far as delivery was concerned.

Solwezi

- Individuals mismanaging public resources need to be brought to book



VISION

"A just Zambian society guided by faith, where everyone enjoys fullness of life".

MISSION STATEMENT

"From a faith inspired perspective the JCTR promotes justice for all in Zambia, especially for the poor, through research, education, advocacy and consultancy".

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